

## Message Text

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PAGE 01 STATE 165715  
ORIGIN EB-08

INFO OCT-01 IO-13 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05 L-03  
NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07 SP-02  
SS-15 STR-07 TRSE-00 ACDA-12 /129 R

DRAFTED BY EB/ORF/FSE:PKBULLEN/NASCHALK:MKM  
APPROVED BY EB/ORF/FSE:GARSEN  
EB:WLOCKWOOD  
EB/ITP/OTA:DPATTERSON  
DOE/IA:JTREAT  
COMMERCE:WKRIST (INFO)  
COMMERCE:WCAVITT (INFO)  
STR:MSCHWEITZER  
LABOR:RDOBSON (INFO)  
TREAS:EBARBER (INFO)

-----093176 292018Z /41

P 291948Z JUN 78  
FM SECSTATE WASHDC  
TO USMISSION GENEVA PRIORITY

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MTN GENEVA

E.O. 11652: N/A

TAGS: MTN, ETRD, US, ENRG

SUBJECT: US ENERGY LEGISLATION

REF: GENEVA 9149

1. CRUDE OIL ENTITLEMENT BENEFIT (AVERAGE BENEFIT PER  
BARREL RECEIVED BY US REFINERS) HAS DECLINED TO  
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DOLLAR 1.95 FOR FEBRUARY 1978 (MOST RECENT PUBLISHED DATA),  
COMPARED TO DOLLAR 2.76 IN FEBRUARY 1976. THIS REFLECTS  
INCREASING RELIANCE ON UNCONTROLLED OIL (IMPORTS, STRIPPER  
WELLS, ALASKA NORTH SLOPE, AND NAVAL PETROLEUM RESERVE).

2. CONGRESSIONAL COMPROMISE ON NATURAL GAS PRICES WHICH WAS  
APPROVED BY CONFERENCE COMMITTEE THIS MONTH IS EXPECTED

TO COME UP FOR FLOOR VOTES IN SEPTEMBER. COMPROMISE PROVIDES FOR SUBSTANTIAL INCREASES IN THE VARIOUS CATEGORIES OF NATURAL GAS PRODUCTION. WELLHEAD PRICES FOR NEW GAS ARE KEYNOTE OF COMPROMISE. IN CONTRAST TO FORMER CEILING OF DOLLAR 1.48 PER THOUSAND CUBIC FEET (MCF), COMPROMISE PROVIDES PRICE OF DOLLAR 1.93 AS OF APRIL 1978. THIS IS TO ESCALATE AT A RATE EQUIVALENT TO THE GNP DEFLATOR PLUS 3.7 PERCENT THROUGH 1981, AND GNP DEFLATOR PLUS 4.2 PERCENT FROM THEN UNTIL DECONTROL IN JANUARY 1985.

3. NATIONAL ENERGY PLAN (NEP) PROPOSES A THREE-PRONGED APPROACH TO ELIMINATING DIFFERENTIAL BETWEEN US AND WORLD PETROLEUM PRICES REFLECTED IN PARA (1):

(A) PRICE OF NEWLY DISCOVERED OIL WOULD RISE OVER A THREE YEAR PERIOD TO CURRENT 1977 WORLD OIL PRICES ADJUSTED TO KEEP PACE WITH THE DOMESTIC PRICE LEVEL, AND THEREAFTER ADJUSTED FOR DOMESTIC INFLATION. THIS COMPONENT OF THE OIL PRICE PACKAGE IS DESIGNED PRIMARILY AS AN INCENTIVE TO FRONTIER OIL PRODUCTION.

(B) PRESENT PRICE CEILINGS FOR DOMESTIC OIL (DOLLAR 5.44/ BBL FOR OLD OIL AND DOLLAR 12.15 FOR EXISTING "NEW" OIL PRODUCTION) WOULD RISE AT THE DOMESTIC RATE OF INFLATION.

(C) ALL DOMESTIC OIL WOULD BECOME SUBJECT -- IN THREE LIMITED OFFICIAL USE

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STAGES OVER A THREE-YEAR PERIOD -- AT THE WELLHEAD TO A CRUDE OIL EQUALIZATION TAX (COET) EQUAL TO THE DIFFERENCE BETWEEN ITS CONTROLLED PRICE AND THE WORLD PRICE.

PROSPECTS FOR PASSAGE OF NEP OIL PRICE PACKAGE ARE UNCLEAR, SINCE THERE IS STRONG CONGRESSIONAL OPPOSITION TO PROPOSED COET. THE ADMINISTRATION IS PRESENTLY EXPLORING ALTERNATIVE MEASURES THE ADMINISTRATION MIGHT TAKE TO ACHIEVE THE OBJECTIVE OF EQUALIZING DOMESTIC AND WORLD CRUDE OIL PRICES IF THE RELEVANT PROVISIONS OF THE NEP ARE NOT APPROVED. VANCE

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ENERGY, US CONGRESSIONAL HEARINGS, LEGISLATIVE BILLS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 29 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978STATE165715  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** PKBULLEN/NASCHALK:MKM  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Reference:** 78 GENEVA 9149  
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**Review Event:**  
**Review Exemptions:** n/a  
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**Review Withdrawn Fields:** n/a  
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**TAGS:** ETRD, ENRG, US, MTN  
**To:** GENEVA  
**Type:** TE  
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**Review Markings:**  
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